

## Message Text

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15

ACTION EA-10

INFO OCT-01 ARA-06 EUR-12 ISO-00 EB-07 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-01 CEA-01 L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01

INT-05 IO-10 SAM-01 NIC-01 SAJ-01 BIB-01 /118 W

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R 140645Z MAR 75

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 4158

INFO AMEMBASSY LA PAZ

AMEMBASSY LONDON

USLO PEKING

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRD, EMIN, CH, UK, BL

SUBJ: PRC MINMETALS MISSION

1. SUMMARY. A MINMETALS TRADE MISSION IS VISITING LONDON, PERHAPS TO LEARN MORE ABOUT THE PRESENT WORLD MARKET CONDITIONS FOR TUNGSTEN AND ANTIMONY. IT IS ALSO REPORTED TO BE EXPORTING ZINC, POSSIBLY A NEW DEVELOPMENT. FOLLOWING ITS LONDON STAY, THE MISSION MAY BE EN ROUTE TO BOLIVIA FOR A PREPATORY MEETING OF TUNGSTEN/ANTIMONY PRODUCERS, BUT THE PRC'S PURPOSE MAY JUST BE TO CONTINUE ITS STUDY TOUR. END SUMMARY.

2. THE CHINA NATIONAL METALS AND MINERALS IMPORT AND EXPORT CORPORATION (MINMETALS) HAS SENT ITS FIRST EXPORT ORIENTED TRADE MISSION TO LONDON ACCORDING TO THE LONDON METAL BULLETIN (MB) MARCH 11. MB BELIEVES THAT, STARTING  
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FROM EARLY 1974, THE PRC HAS BEEN SLOWLY MOVING TOWARDS

A MORE REGULAR RELATIONSHIP WITH ITS CUSTOMERS, AND AWAY FROM RELIANCE ON THE SEMI-ANNUAL CANTON TRADE FAIRS FOR METAL EXPORT SALES.

3. A LOCAL TRADE SOURCE DISCOUNTS SUCH SPECULATION AND SUGGESTS THAT THE MISSION'S PRIMARY PURPOSE IS FIRST-HAND "FACT-FINDING" ABOUT CURRENT METAL MARKET CONDITIONS IN WESTERN EUROPE IN PREPARATION FOR THE NEXT FAIR. ONE WAY THE MISSION IS APPARENTLY DOING THIS IS BY OFFERING TUNGSTEN AND ANTIMONY -- TRADITIONAL EXPORTS -- AND ZINC FOR SALE. BUT AS THE MISSION'S PRICES -- UNCHANGED FROM RECENT PEKING QUOTES -- ARE ABOVE MARKET PRICES, NO BUSINESS HAS BEEN CONCLUDED BY THE EXPORT MISSION. METAL PRICES FELL AT THE END OF THE LAST FAIR, AND THE MISSION MAY BE EXPLORING THE MARKET WITH A VIEW TO RECOMMENDING A MORE REALISTIC POLICY FOR THE BEGINNING OF THE SPRING FAIR TO MAXIMIZE EXPORT SALES.

4. A SECONDARY PURPOSE IS TO BUILD CLOSER PERSONAL RELATIONSHIPS WITH TRADERS (INSTEAD OF CONTACTING CONSUMING FIRMS DIRECTLY). THIS PATTERN SUGGESTS CONTINUED RELIANCE ON METAL SALES THROUGH TRADERS -- WHETHER THROUGH LONDON OR THROUGH CANTON FAIRS -- RATHER THAN DIRECT SALES TO CUSTOMERS.

5. THE REPORT OF ZINC EXPORTS TO EUROPE IS UNUSUAL AS THE PRC HAS TRADITIONALLY BEEN A NET IMPORTER. HOW SIGNIFICANT THE REPORTED EXPORTS ARE, HOWEVER, IS NOT CLEAR. AFP REPORTS THAT LONDON TRADE CIRCLES BELIEVE 600 METRIC TONS OF UNSOLD PRC ZINC HAVE ACCUMULATED IN ROTTERDAM (AFP LONDON, MARCH 12). THE PRC APPARENTLY HAS SALES PROBLEMS OFTEN COMMON TO NEW EXPORTERS: THE PRC ZINC BRAND IS NOT REGISTERED WITH THE LONDON METAL EXCHANGE; INGOTS ARE NOT STRAPPED TOGETHER; AND INGOT APPEARANCE IS INFERIOR BY WESTERN STANDARDS. IF THE REPORT IS TRUE, AND IF THE PRC INTENDS TO SHIP SIGNIFICANT AMOUNTS OF ZINC THEN THE MISSION MIGHT WELL BE STUDYING THE NEEDS OF THE EUROPEAN ZINC MARKET.

6. MB ALSO SUGGESTED THAT THE MISSION IS EN ROUTE TO A LIMITED OFFICIAL USE

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TUNGSTEN/ANTIMONY PRODUCERS MEETING. THIS IS PROBABLY THE PREPARATORY MEETING, ORIGINALLY SCHEDULED FOR FEBRUARY, TO CONSIDER FORMING AN INTERNATIONAL MINOR MINERALS COUNCIL (1974 LAPAZ 7973).

7. THOUGH THE PRC HAS GIVEN CONSISTENT VERBAL SUPPORT TO THIRD WORLD EFFORTS TO FORM RAW MATERIAL PRODUCER ORGANIZATIONS, AND THOUGH IT TOUTS ITSELF AS A MEMBER OF THE

THIRD WORLD, IT HAS REFUSED PREVIOUS INVITATIONS TO JOIN SUCH GROUPS. BOLIVIA IN THE EARLY 1970'S WAS REBUFFED IN AN ATTEMPT TO JOINTLY CONTROL THE ANTIMONY MARKET (HK-13545), AND THE PRC HAS APPARENTLY FAILED TO RESPOND TO INTERNATIONAL TIN COUNCIL INVITATIONS. ONE PROBABLE REASON FOR THESE ACTIONS IS THE PRC'S "PRINCIPLED POLICY" OF NOT PROVIDING PRODUCTION STATISTICS, AN IMPORTANT FUNCTION OF THESE ORGANIZATIONS. THOUGH ITS ATTENDANCE AT THE PREPATORY MEETING MAY SERVE TO GIVE THE IMPRESSION OF PROMOTING THE THIRD WORLD UNITY IT SO OFTEN ADVOCATES, THE LA PAZ MEETING MAY MERELY PROVIDE THE PRC ANOTHER OPPORTUNITY TO LEARN MORE ABOUT WORLD METAL MARKETS.

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